

MINUTES OF THE REGULAR MEETING OF THE AUDIT COMMITTEE
AND BOARD OF RETIREMENT AND/OR BOARD OF INVESTMENTS*
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, MARCH 22, 2017

PRESENT: Shawn R. Kehoe
Joseph Kelly
Michael S. Schneider

ABSENT: Vivian Gray
David Green

STAFF, ADVISORS, AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Richard Bendall, Chief Audit Executive

Steven Rice, Chief Legal Counsel

Rick Wentzel, Audit Committee Consultant

Leisha Collins, Principal Internal Auditor

Quoc Nguyen, Principal Internal Auditor

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I. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary)

The election of officers was conducted by Chair Kelly:

A. Chair of the Audit Committee

Mr. Kelly was nominated for the position of Chair by Mr. Schneider of the 2017 Audit Committee. Hearing no other nominations, Mr. Kelly was unanimously elected Chair of the Committee.

B. Vice-Chair of the Audit Committee

Mr. Schneider was nominated for the position of Vice Chair of the 2017 Audit Committee by Mr. Kelly. Hearing no other nominations, Mr. Schneider was unanimously elected Vice Chair of the Committee.

C. Secretary of the Audit Committee

Ms. Gray was nominated for the position of Secretary of the 2017 Audit Committee by Mr. Kelly. Hearing no other nominations, Ms. Gray was unanimously elected Secretary of the Committee.

II. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Audit Committee Meeting Of December 14, 2016.

Mr. Schneider made a motion, and Mr. Kehoe seconded to approve the minutes of the regular Audit Committee meeting of December 14, 2016. The motion passed unanimously.

III. PUBLIC COMMENT

No items to report.

IV. NON-CONSENT AGENDA (FORMERLY “ACTION ITEMS”)

- A. Recommendation, as submitted by Richard Bendall, Chief Audit Executive, that the Audit Committee review the Audit Committee Meeting Schedule and provide direction to staff on changes. (Memo dated March 8, 2017)

Mr. Kehoe made a motion, Mr. Schneider seconded, to approve the agenda item. The motion passed unanimously.

- B. Recommendation, as submitted by Richard Bendall, Chief Audit Executive, that the Audit Committee review and discuss the following engagement reports to take the following action(s):

- (1) accept and file report and/or,
- (2) instruct staff to forward report to Boards or Committees and/or,
- (3) provide further instruction to staff.

(Memo dated March 8, 2017)

- a. Duplicate Special Payments
Gabriel Tafoya, Senior Internal Auditor
(Report issued January 19, 2017)
- b. External Penetration Test
George Lunde, Senior Internal Auditor
(Report issued February 28, 2017)
- c. Tuition Reimbursement Audit
Christina Logan, Senior Internal Auditor
(Report issued March 8, 2017)

Mr. Schneider made a motion, Mr. Kehoe seconded, to accept and file the External Penetration Test and Tuition Reimbursement Audit reports (items b. and c.) and to hold the Duplicate

IV. NON-CONSENT AGENDA (FORMERLY “ACTION ITEMS”) (continued)

Special Payments Report (item a.) until the next meeting. The motion passed unanimously.

V. REPORTS (FORMERLY “ADMINISTRATIVE REPORTS”)

- A. Internal Audit Risk Assessment Report
Richard Bendall, Chief Audit Executive
(Memo dated March 8, 2017)

Mr. Bendall, Ms. Collins and Mr. Nguyen provided an overview of the Internal Audit Risk Assessment Process and its purpose including proposed changes to the process.

- B. Audit Plan Status Report
Richard Bendall, Chief Audit Executive
(Report dated March 8, 2017)

Mr. Bendall described the Audit Plan cycle and gave a high-level recap of work performed since the last Audit Committee meeting.

- C. Recommendation Follow-Up Report
Richard Bendall, Chief Audit Executive
(Report dated March 8, 2017)

Mr. Bendall described the nature and schedule of the Recommendation Follow-Up Report and how it provides the status of management’s progress toward audit recommendations. Mr. Bendall then gave an overview of the Recommendation Aging Report and progress on any outstanding recommendations.

V. REPORTS (FORMERLY “ADMINISTRATIVE REPORTS”) (continued)

- D. Privacy Audit Recommendation Follow-Up
Steven Rice, Chief Legal Counsel
Richard Bendall, Chief Audit Executive
(Memo dated March 8, 2017)

Mr. Bendall acknowledged the Executive Office taking ownership and expressed satisfaction in the level of priority given.

- E. **Attorney-Client Privilege/Confidential Memo**
Human Resources Compliance Audit [by Liebert Cassidy Whitmore]
Recommendation Follow-Up
Steven Rice, Chief Legal Counsel
Richard Bendall, Chief Audit Executive
(Memo dated March 8, 2017)

There were no comments.

- F. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard Bendall, Chief Audit Executive (Verbal Presentation)

There were no comments.

- G. Internal Audit Goal Report
Richard Bendall, Chief Audit Executive
(Report dated March 8, 2017)

Mr. Bendall provided an overview of the Internal Audit Goal Report and the planned goals for the 2017 Calendar Year.

V. CONSULTANT COMMENTS
Rick Wentzel, Audit Committee Consultant

There were no comments.

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VI. GOOD OF THE ORDER

(For information purposes only)

Mr. Wentzel commented that he looks forward to seeing the Internal Audit Risk Assessment at the next meeting.

Mr. Schneider stated a concern regarding high-dollar amount transactions at LACERA. Mr. Nguyen responded Internal Audit periodically audits the controls around payments and high-risk transactions. Mr. Nguyen also stated that in the recent Duplicate Special Payments Audit staff found that Management had strong controls for mitigating the occurrence of duplicate special payments.

Mr. Kelly applauded the Tuition Reimbursement Audit.

Mr. Kehoe commended the External Penetration Test report.

Mr. Bendall noted that Mr. Redman was retiring and thanked Mr. Redman for his service.

VII. CLOSED SESSION (formerly "EXECUTIVE SESSION")

- A. Performance Evaluation – 2016 Goals & Expectations
[Pursuant to Government Code Section 54957(b)(1)]

Title: Chief Audit Executive

VIII. ADJOURNMENT

There being no further business to come before the Audit Committee, the meeting was adjourned at 9:40 a.m.

VIVIAN GRAY, SECRETARY

JOSEPH KELLY, CHAIR